GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

REPORT OF THE
INDIAN TARIFF BOARD
ON THE
CONTINUANCE OF PROTECTION
TO THE
SUGAR INDUSTRY

BOMBAY

1949

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APPENDICES

REPORT OF THE INDIAN TARIFF BOARD ON THE INDIAN SUGAR INDUSTRY.

History of the case and reference to the Board.

1. The Indian sugar industry was protected for the first time in 1932 when, as a result of a tariff inquiry, the Sugar Industry (Protection) Act, 1932, was passed. Under that Act, protection was granted for a period of 14 years ending 31st March 1946. The rate of protective duty for the first six years was fixed at Rs. 7-4-0 per cwt. and it was laid down that a second Tariff Board inquiry should be held before 31st March 1938 in order to determine the amount of protection that would be necessary for the remaining period of eight years. Accordingly, a second inquiry by a Tariff Board was held in 1937 and its Report was submitted to Government in December 1937. Pending consideration of this Report, Government extended the protective duty then in force for a further period of one year ending 31st March 1939. When this period of extension was over, a new measure of protection, namely, the Sugar Industry (Protection) Act, 1939, was passed, fixing the protective duty at the rate of Rs. 6-12-0 per cwt. for a period of two years ending 31st March 1941. And Government proposed at the time that a further tariff inquiry should be held in 1940 to ascertain the measure of protection necessary for the remaining period of five years. But, owing to the intervention of World War II, the proposed tariff inquiry could not be held and the protective duty was continued without any inquiry until March 1946 by Protective Duties Continuation Acts from time to time. In April 1946, Government proposed a further extension of the protective duty for a period of one year and at the same time gave an undertaking in the Legislature that before any further extension of protection was granted, an investigation would be held so as to enable Government to decide what action should be taken in the matter of protecting the industry on the expiry of this period of one year. In fulfilment of this undertaking, Government, in their Resolution No. 28-T (6) /46 dated 20th January 1947, requested the Tariff Board to investigate the claim of the sugar industry for further protection. As, however, the general economic conditions at that time were abnormal, Government suggested that the Board might hold a summary inquiry and advise them whether, in the prevailing circumstances of the period, protection should be granted to the industry for a further year after 31st March 1947. The Board convened a conference of representatives of principal Associations of sugar manufacturers, a few prominent importers and merchants and certain other individuals having intimate knowledge of the industry, and held a summary inquiry. In its Report submitted to Government on 21st February 1947, the Board recommended, *inter alia* the continuance of protection at the rate then in force for a further period of one year; and at the same time, the Board drew the attention of Government to the desirability of extending protection for a period of two years ending 31st March 1949 and instituting a tariff inquiry during the latter half of 1948. Government accepted this recommendation of the Board and extended protection by one year, in the first instance, and later on, by another year ending 31st March 1949. This extension of protection is thus due to expire on 31st March 1949.

It was, therefore, necessary to have an inquiry made in order to enable Government to decide whether or not the present measure of protection to the sugar industry should be continued, modified or withdrawn after that date. Accordingly, in their Resolution No. 134-T (19) /47, dated 10th April 1948 (Appendix I), read with paragraph 2 of the late Commerce Department Resolution No. 28-T(6)/46, dated 20th January 1947, Government requested the Tariff Board to examine in detail the question of protection enjoyed by the sugar industry.

Terms of reference.

2. (*a*) This inquiry was held under the terms of reference laid down in the Ministry of Commerce Resolution No. 218-T (68)/47, dated 4th November 1948, (Appendix II) read with paragraph 2 of the Commerce Ministry Resolution No. 30-T (1)/48, dated 6th August 1948 (Appendix III). In their Resolution of 4th November, 1948, Government decided that, pending the formulation of a tariff policy appropriate to the long-term needs of the country and the establishment of a permanent machinery for the purpose, the industries named in paragraph 7 of the Industry and Supply Ministry's Resolution No. 1(3)44-(13)/48, dated 6th April 1948, should be dealt with on the same basis as industries which had been started or developed in war-time and which were covered by the late Commerce Department Resolution No. 218-T-(55)/45, dated 3rd November 1945.

(*b*) The industries mentioned in paragraph 7 of the Industry and Supply Ministry's Resolution referred to above are listed as under :—

(1) Salt ;
(2) Automobiles and tractors ;
(3) Prime Movers ;
(4) Electrical Engineering ;
(5) Other heavy machinary ;
(6) Machine tools ;
(7) Heavy chemicals, fertilisers, pharmaceuticals and drugs ;
(8) Electro-chemical industries ;
(9) Non-ferrous metals ;
(10) Rubber manufactures ;
(11) Power and industrial alcohol ;
(12) Cotton and woollen textiles ;
(13) Cement ;
(14) Sugar ;
(15) Paper and newsprint ;
(16) Air and sea transport ;
(17) Minerals ; and
(18) Industries related to Defence.

(*c*) Under the terms of reference, as stated in paragraph 5 of the late Commerce Department Resolution No. 218-T (55)/45 of 3rd November 1945

the Board is required to report after such examination as it considers necessary whether a particular industry satisfies the following conditions :—

(1) that it is established and conducted on sound business lines; and

(2) (*a*) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or state assistance ; or

(*b*) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such assistance or protection to the community is not excessive.

Where a claim to protection or assistance is found to be established, *i.e.*, if condition (1) and condition (2) (*a*) or (*b*) are satisfied, the Board will recommend—

(*i*) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed ;

(*ii*) what additional or alternative measures should be taken to protect or assist the industry ; and

(*iii*) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

In making its recommendations, the Board has to give due weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection is to be granted. Since relief to be effective should be afforded without delay, the Board is requested to complete its inquiries with all possible expedition and to submit a report as soon as the investigation of the claim of each industry is concluded.

(*d*) Under paragraph 2 of the Commerce Ministry Resolution No. 30-T(1)/48, dated 6th August 1948, mentioned above, the Board is authorised to maintain a continuous watch over the progress of protected industries by conducting inquiries, as and when necessary, on the effect of the protective duties or other means of assistance granted, and advise Government regarding the necessity or otherwise of modifying the protection or assistance granted. The Board is also required to keep a careful watch to ensure that conditions attached to the grant of protection were fully implemented and that the protected industries were being run efficiently.

Method of inquiry.

3. When the Ministry of Commerce issued its Resolution No. 134-T (19)/47 dated 10th April 1948 remitting to the Tariff Board for investigation, the case of the sugar industry for continuance of protection, it invited firms and persons interested in this inquiry who desired that their views should be considered by the Board, to address their representations to the Board. In July 1948, the Board issued a special questionnaire (Appendix IV) to the Indian Central Sugarcane Committee, the Sugar Commission, U. P. and Bihar, all Provincial Governments, the Indian Sugar Syndicate, the Indian Institute of Sugar Technology, the Indian Council of Agricultural Research and all Sugar Mills' Associations. This questionnaire

was issued for the purpose of ascertaining the views of the Provincial Governments as well as other interested parties as to whether, in view of the absence of risk of importation of sugar from foreign countries for the next few years, the existing measure of protection to the sugar industry should be continued, modified, withdrawn or kept in abeyance ; also as to what action should be taken as regards a detailed examination of the position of the industry from the point of view of the necessity or otherwise of protection as a long-term measure. A list of those to whom the questionnaire was issued and who replied to it or submitted special memoranda, will be found in Appendix V. Nearly all the Provincial Governments, Research Institutions and Sugar Mills' Associations as well as the Sugar Syndicate in their replies to the Board's questionnaire, stated that the general economic conditions being as yet abnormal and unstable, a detailed inquiry into costs and other factors should be postponed by a year or two and that the present measure of protection should be extended by at least two years. At an early stage in the inquiry, the Board also realised that, pending the stabilisation of the price of sugarcane as well as the formulation of a more or less definite Government policy regarding imports of sugar, it would be premature to undertake a detailed inquiry for determining a long-term measure of protection for the sugar industry. The Board, therefore, decided that the present inquiry into the industry, like the previous one in 1947, should be of a summary nature. For this purpose, the Board convened a conference of the representatives of the Central and Provincial Governments, of the Indian Central Sugarcane Committee and the Indian Institute of Sugar Technology, as well as of the Indian Sugar Syndicate and Sugar Mills' Associations, importers and merchants on 22nd and 23rd December 1948 at Bombay. A list of those who attended the conference will be found in Appendix VI.

Review of protection

4. (*a*) *Indirect protection through high revenue duty* :—Imported sugar had been subject to a high revenue duty even before the sugar industry became a protected industry in 1932. The rate of revenue duty on sugar which had been only 5% *ad valorem* from 1894-95 to 1915-16 was raised to 10% *ad valorem* in March 1916, 15% *ad valorem* in March 1921, and 25% *ad valorem* in March 1922. In June 1925, the *ad valorem* duty was converted into a specific one and the rate was raised to Rs. 4-8-0 per cwt. This remained in force for nearly five years. During those five years, the estimated c.i.f. price of Java sugar was about Rs. 8-8-0 per cwt. On this basis the specific duty of Rs. 4-8-0 per cwt which was in force during the period, worked out to an *ad valorem* rate of about 50%. In March 1930, the duty was raised to Rs. 6-0-0 per cwt. and remained in force for one year. The estimated c.i.f. price of Java sugar during 1930-31 was about Rs. 5-0-0 per cwt. and on this basis the specific duty of Rs. 6-0-0 per cwt. worked out to an *ad valorem* rate of 120%. In march 1931, the duty was enhanced to Rs. 7-4-0 per cwt. The c.i.f. price of Java sugar at that time was about Rs. 3-12-0 per cwt., and on this basis, the specific duty of Rs. 7-4-0 worked out to an *ad valorem* rate of over 190%. In the supplementary budget of September 1931, a surcharge of 25% was imposed on the duty on sugar, thereby raising the total import duty to Rs. 9-1-0 per cwt. The c.i.f. price of Java sugar at that time was about Rs. 5-8-0 per cwt. On this basis, the specific duty of Rs. 9-1-0 per cwt. would work out to an

ad valorem rate of about 165%. It would thus be seen that for a period of six years and 9 months from June 1925 to March 1932, the sugar industry enjoyed the advantage of high rates of specific revenue duty, which were equivalent to *ad valorem* duties ranging from 50% to 190%.

(*b*) *Genesis and different stages of protection:*—In March 1929, the Government of India addressed all Provincial Governments on the subject of development of the sugar industry, and on receipt of their replies, requested the Imperial (now Indian) Council of Agricultural Research to have the whole question examined. The Council, after having had the matter examined by a specially qualified committee, requested the Government of India to refer to a Tariff Board for inquiry, the question whether protection was required for the sugar industry in India, and if so, in what measure. In its representation to Government, the Council pointed out that the three Provincial Governments vitally interested in the sugar industry, namely, those of the United Provinces, the Punjab and Bihar and Orissa, together with the Government of Bombay, had asked for a Tariff Board inquiry. The Government of India thought that a *prima facie* case had been established for reference of the matter to the Tariff Board and by the then Commerce Department's resolution No. 127-T (19), dated 20th May 1930, remitted to the Tariff Board for inquiry, the claim of the sugar industry for protection. The Tariff Board, in its report submitted in January 1931, recommended that protection should be granted to the sugar industry for a period of 15 years and that protective duty at the rate of Rs. 7-4-0 per cwt. should be levied for the first six years and at the rate of Rs. 6-4-0 per cwt. for the remaining period. The Board also recommended that, if the landed cost of sugar at Calcutta without duty fell below Rs. 4/- per maund, an additional duty of 8 annas per cwt. should be imposed. Government took more than a year in coming to a decision on the recommendations of the Tariff Board. In the meantime, under the Finance Act of 1931, the duty on sugar was raised from Rs. 6-0-0 to Rs. 7-4-0 per cwt. and the supplementary budget of September 1931, a surcharge of 25 per cent was imposed on the duty on sugar, thus raising it to Rs. 9-1-0 per cwt. The Sugar Industry (Protection) Act (1932) was passed in April 1932. Since the revenue duty on sugar had been already raised to Rs. 9-1-0 per cwt., the Protection Act merely converted this revenue duty of Rs. 9-1-0 per cwt. into a protective duty of Rs. 7-4-0 per cwt. plus a surcharge of 25 per cent thereon, i.e., Rs. 1-13-0 per cwt. Protection was granted for a period of 14 years ending 31st March 1946. The protective duty of Rs. 7-4-0 per cwt. was to remain in force until 31st March 1938. In the Sugar Industry Protection Act, however, a statutory provision was made that an inquiry should be held before 31st March 1938, so as to enable Government to determine what measure of protection should be adopted for the remaining period of eight years. It was also provided that, if at any time during the currency of the Act, it was

found that foreign sugar was being imported into India at a price which was likely to render the protective duty ineffective, Government should have the power to levy additional offsetting duties on imported sugar. It may be noted that, owing to the levy of the surcharge of 25 per cent on the import duty, the actual amount of protection was in excess of the duty recommended by the Tariff Board to the extent of Rs. 1-13-0 per cwt. On account of this extra protection, there was a rapid expansion of the sugar industry and production began to increase very rapidly. Thus, the number of vacuum pan factories increased from 29 in 1930-31 to 57 in 1932-33 and 112 in 1933-34. During the same period, the production of sugar in vacuum pan factories rose from 120,000 tons to 454,000 tons. At the same time, there was a serious fall in the customs revenue on sugar; this revenue was reduced from about Rs. 10 crores in 1930-31 to about Rs. 2 crores in 1933-34. It was also found that the benefit of protection had been reaped almost entirely by the factory owners and not by the cane grower for whose benefit the protective scheme had been primarily devised. In 1934, therefore, Government reviewed the whole position and decided on a twofold line of action. On the one hand, they imposed an excise duty on factory produced sugar so as to neutralise the extra protection enjoyed by the industry and at the same time to recoup a part of the sugar revenue lost through protection; on the other hand, they passed legislation enabling Provincial Governments to enforce a minimum price to be paid by the factories to the cane grower. The excise duty was fixed at Rs. 1-5-0 per cwt. and this reduced the amount of protection from Rs. 9-1-0 to Rs. 7-12-0 per cwt. Under the Finance Act 1937, while the import duty was raised from Rs. 9-1-0 to Rs. 9-4-0 per cwt., the excise duty on sugar was increased from Rs. 1-5-0 to Rs. 2/- per cwt., and this reduced the amount of protection from Rs. 7-12-0 to Rs. 7-4-0 per cwt. which was the amount recommended by the Tariff Board. This duty was due to expire on 31st March 1938. Towards the end of 1937, therefore, Government appointed a Tariff Board to inquire and report as to what amount of protection should be granted to the industry after 31st March 1938. the Tariff Board, in its report submitted in December 1937, recommended that a protective duty of Rs. 7-4-0 per cwt. should be levied for a period of eight years ending 31st March 1946. Pending Government decision on the Board's report, the then existing protective duty of Rs. 7-4-0 per cwt. was extended by one year from 1st April 1938 to 31st March 1939. In the meantime, the price of imported sugar had gone up to some extent. Moreover, in 1938, the Governments of the United Provinces and Bihar had adopted an extensive system of control over the sugar industry, imposed a cess on cane supplied to the factories, and decided to enforce minimum price regulations more rigidly than in the past. The Government of India took account of these changes and decided to extend protection by 2 years ending 31st March 1941. The amount of protective duty was fixed at Rs. 6-12-0 per cwt., i.e.

8 annas per cwt. less than that recommended by the Board. Government also proposed that a fresh inquiry should be held in 1940, so as to enable them to decide what amount of protection should be given after 31st March 1941. In March 1940, the excise duty on factory sugar was increased by Re. 1-0-0 from Rs. 2-0-0 to Rs. 3-0-0 per cwt., and to offset this, the total import duty (protective duty plus excise duty) was raised from Rs. 8-12-0 to Rs. 9-12-0 per cwt. In April 1942, a revenue surcharge of 20 per cent on the import duty was Imposed and the total duty was thereby raised to Rs. 11-11-2 per cwt. As stated in paragraph 1 above, this duty was continued from time to time without a fresh inquiry until 31st March 1947. The Tariff Board held a summary inquiry in February 1947 and recommended that the then existing protection should be continued for a further period of 2 years ending 31st March 1949. The Board also recommended that the Central Government grant to the Indian Central Sugarcane Committee from the sugar excise duty should be increased from 1 anna to 4 annas per cwt. Government decided to accept the Board's recommendation to continue protection to the sugar industry until 31st March 1949. Government also raised the grant to the Indian Central Sugar Committee from 1 anna to 4 annas per cwt until further orders.

Progress of the industry

5. The sugar industry has enjoyed the benefit of high protection for a period of about 17 years from April 1932. The aim of protection in this case was two-fold ; first, to encourage the development of the sugar industry on modern lines, and second, to improve and stabilise the demand for sugarcane from central sugar factories and thereby create favourable conditions for the cultivation of high-yielding sugarcane. The circumstances that had led to the adoption of this policy were as follows : In the year 1930-31, there had been overproduction of sugar in the world with the result that sugar prices had been steadily declining. In the same period, a world economic depression had also set in, causing a disastrous fall in agricultural prices. It was thought at the time that, by encouraging the growth of the sugar industry by means of protection, a favourable market could be created for sugarcane and that thereby the benefit of protection could be extended to the cultivation of sugarcane which formed an important cash crop in the U. P., Bihar and the East Punjab. It was also expected that the expansion of the sugar industry would create a profitable market for sugarcane, thereby facilitating the extension of cane cultivation on modern lines ; and it was hoped that this would serve as the spearhead of progress in agricultural practices throughout the countryside. Consequently, in adopting this scheme of protection Government laid as great an emphasis on the improvement of sugarcane cultivation as on the expansion of the sugar industry. In reviewing the benefits of protection in this case, therefore, we have to enquire how far the protection of the industry has improved the cultivation of sugarcane as well as the manufacture of sugar,

The progress of the industry during the period of protection may be analysed as follows :—

(A) *Sugarcane :*

Area under cane, quantity of cane crushed in mills and yield of cane per acre.

Year	Area in thousand acres		Cane crushed in mills (in thousand tons)	Yield of cane per acre (tons)
	under cane	Under improved varieties of cane		
(1)	(2)	(3)	(4)	(5)
1931-32	2,972	1,168	1,784	14·1
1932-33	3,321	1,842	3,350	14·9
1933-34	3,308	2,291	5,157	15·3
1934-35	3,477	2,483	6,550	15·1
1935-36	4,020	3,056	9,886	15·3
1936-37	4,582	3,452	11,688	15·6
1937-38	3,987	2,968	9,916	15·5
1938-39	3,270	2,672	7,004	15·0
1939-40	3,788	2,315	13,131	15·0
1940-41	4,710	3,529	11,291	15·0
1941-42	3,622	2,823	8,026	15·0
1942-43	3,755	3,004	10,418	15·0
1943-44	4,268	3,546	12,138	13·8
1944-45	3,961	3,604	9,343	13·2
1945-46	3,847	2,589	9,359	14·0
1946-47	4,108	*	9,412	*
1947-48	3,583 (Indian Union)	*	4,658	*

*Figures not available.

From the above table, it will be seen that the area under sugarcane was less than 3 million acres in 1931-32. Under the stimulus of portection, the acreage under sugarcane gradually expanded till it reached about 4·6 million acres in 1936-37. Thereafter, for 3 years, the acreage under sugarcane shrank. In 1940 -41, however, it increased again to 4·7 million acres, which is the largest

acreage under cane attained so far. Thereafter, again the acreage fluctuated at a lower level and in 1946-47, it was 4·1 million acres. So far as the acreage under improved varieties of cane was concerned, it increased from 1·2 million in 1931-32 to 3·5 million in 1936-37. Subsequently, the acreage under improved varieties of cane fluctuated at a lower level for 6 years from 1937-38 to 1942-43. There was considerable expansion during 1943-44 and 1944-45, after which the area sharply declined to 2·6 million acres in 1945-46. As regards the average yield of cane per acre, there was also a gradual improvement, during the first six years of protection, after which the yield became lower, being only 13·2 tons per acre in 1944-45 and 14·0 tons per acre in 1945-46. It would, therefore, appear that the stimulus imparted by protection to the cultivation of sugarcane nearly exhausted itself within the first six years of protection. When we turn to consider the benefit of sugar protection to cultivators of sugarcane, we find that the most rapid increase in the tonnage of cane crushed in factories also took place during the first six years of protection. During this period, the tonnage of cane crushed in factories increased from 1·8 million to 11·7 million. Thereafter, for the succeeding 2 years, there was a decrease in the tonnage of cane crushed. The highest tonnage of cane crushed in mills was reached in 1939-40, when the amount was 13·1 million tons. Thereafter, the tonnage of cane crushed in factories fluctuated at a lower level and the tonnage crushed in 1946-47 was 9·4 million tons. It may, therefore, be stated that, in so far as extension and improvement in cane cultivation and the increase in the tonnage of cane crushed in sugar factories were concerned, there was rapid progress during the first six years of protection, and that, during the last seven or eight years, there has been stagnation. The representatives of the U. P. Government present at the public inquiry explained that this lack of progress in cane cultivation was largely due to the diversion of land from sugarcane to food crops owing to the high price of the latter and also partly due to non-availability of fertilisers. It was also stated by them that the decrease in tonnage of cane crushed in the factories in the last few years was largely due to the diversion of cane from sugar to gur, which was then fetching a high price, there being no effective control over the price of gur.

(B) *Sugar :*

(*i*) *Production* : The figures of sugar production in the country from 1931-32 to 1947-48 are given in the following table :—

Year. (1)	No. of sugar mills at work. (2)	Sugar produced from cane. (in thousand tons) (3)
1931-32	31	158
1932-33	56	290
1933-34	111	454
1934-35	128	569
1935-36	135	919

Year (1)	No. of sugar mills at work. (2)	Sugar produced from cane. (in thousand tons) (3)
1936-37	137	1,110
1937-38	136	931
1938-39	139	651
1939-40	145	1,242
1940-41	148	1,095
1941-42	150	778
1942-43	150	1,071
1943-44	151	1,216
1944-45	140	953
1945-46	145	944
1946-47	141	921
1947-48*	134	1,075

(*Exclusive of Pakistan, which in normal years, accounted for seven factories and 20,000,—25,000 tons of sugar).

Here also, it will be seen that the most rapid expansion in the production of sugar took place in the first six years of protection, the quantity of sugar produced having increased from 158,000 tons in 1931-32 to 1·1 million tons in 1936-37. There was an appreciable fall in production in the next two years after which production again increased to over 1·2 million tons in 1939-40. This was the highest production so far reached in this country. Thereafter, production fluctuated at a lower level. So far as expansion of sugar production is concerned, therefore, it will be seen that there was rapid progress for the first six or seven years and comparative stagnation in the last seven years. It may be mentioned that the figures of production given above relate to vacuum pan factories. Besides, there are a few factories which refine gur into sugar. This is an uneconomic method, and the production of these factories has been rapidly declining since 1932-33 and their output was only 4,000 tons a year during the last four years. Production of sugar by the khandsari method also decreased from 275,000 tons in 1932-33 to 98,000 tons in 1947-48. Inclusive of sugar refined from gur and khandsari sugar, the total production of sugar in the Indian Union was 11·79 lakh tons in 1947-48.

(*ii*) ***Manufacturing efficiency*:—The following figures will indicate the progress of the sugar factories in respect of manufacturing efficiency :—**

Average efficiency of factories in India.

Season	Milling Extraction		Boiler House Extraction		Overall Extraction		Sugar % cane	Sugar recovered % cane.
	Recorded	Reduced	Recorded	Reduced	Recorded	Reduced		
1	2	3	4	5	6	7	8	9
1934-35 ..	90·13	92·18	84·71	89·54	76·35	82·54	11·25	8·66
1935-36 ..	90·84	92·94	86·81	91·21	78·86	84·77	11·69	9·29
1936-37 ..	91·25	93·60	87·36	90·76	79·72	84·95	11·88	9·50
1937-38 ..	91·12	93·20	87·09	90·66	79·38	84·50	11·82	9·38
1938-39 ..	90·98	93·97	87·63	90·81	79·73	85·34	11·64	9·29
1939-40 ..	91·32	93·37	87·17	90·95	79·60	84·92	11·86	9·45
1940-41 ..	91·54	93·53	87·34	90·89	79·95	85·01	12·17	9·70
1941-42 ..	91·35	93·16	87·56	90·47	79·98	84·28	12·14	9·69

It will be seen that the largest improvement in manufacturing efficiency took place between 1934-35 and 1935-36, when the percentage of overall extraction improved from 82·54 to 84·77. Thereafter, the percentage of efficiency fluctuated between 84·28 and 85·34, thus indicating that there was practically no improvement in this respect after 1935-36. The highest percentage of overall efficiency was reached in 1938-39, when the figure was 85·34 percent. This does not compare favourably with the manufacturing efficiency of the sugar industry in Formosa (91·29 in 1937-38), Java (86·29 in 1938) and Hawaii (90·32 in 1935). It should, however, be noted that this overall manufacturing efficiency of sugar factories depends partly on the quality of sugarcane, partly on milling efficiency and partly on boiler house efficiency. It may be that the extractive efficiency of Indian sugar factories would have improved if the quality of cane was as good as that in foreign countries. Many of the factories in India, however, could improve their efficiency by a proper balancing of their plants. These factories had originally installed plants with very low capacities and attempted later on to increase the capacities by gradual additions, and this resulted in their plants becoming unbalanced. Moreover, some Indian factories usually attempt to crush more cane per day than the size of their plants would justify ; in other words, they crush more cane per day than factories with similar equipment in other countries. This has resulted in the lowering of their overall efficiency. Besides, some of the factories, specially in the U. P. and Bihar, are unsuitably located from the point of view of cane supply ; there is too much overcrowding of factories in certain

localities with the result that adequate supply of cane cannot be obtained by all of them. This invariably leads to lower production and the consequent rise in the manufacturing expenses. We recommend that the U. P. and Bihar Governments should institute an early inquiry into the conditions of the sugar factories, with special reference to their location and plants, with a view to finding out which of the factories should be shifted to more suitable localities and what additions and alterations should be effected in the plants of the different factories. We also recommend that, in the light of the findings of such inquiry, the Provincial Governments concerned should call upon Sugar Mill Companies to shift their factories and/or balance their plants at an early date.

The State and the sugar industry.

6. (*a*) *Control by Provincial Governments* :—During the first two years of protection, namely, 1932-34, it was found that though protection had greatly benefited the sugar manufacturers, it had not conferred on the cane grower the benefit of a sufficiently remunerative price for his cane and that, consequently, the major objective of protection to the sugar industry, namely, to ensure a remunerative price to the cane grower, was not being realised. In order to ensure the fulfilment of this objective, the Central Legislature in 1934 passed an Act called the ' Sugarcane Act '. This Act empowered the Provincial Governments to fix minimum prices for cane and, in general, to safeguard the interests of the cane growers in their transactions with sugar factories. These powers were at first exercised only by the United Provinces and Bihar Governments, but later, other Provinces also did so. In the season 1936-37, for the first time, there was over-production of sugar in India. There was, therefore, severe internal competition and a slump in prices, causing a crisis in the industry. The two major sugar producing provinces, namely, the U. P. and Bihar, felt the need to control the development of the industry. The Bihar Sugar Factories Control Act was passed in 1937 and the U. P. Sugar Factories Control Act in 1938. At the same time, in order to stabilise sugar prices at a remunerative level, the industry itself felt the necessity of setting up a central marketing organisation and formed the Indian Sugar Syndicate in July 1937 on a voluntary basis, with an initial membership of 92 factories. The U. P. and Bihar Sugar Factories Control Acts empower the two Provincial Governments to (*a*) exercise control over the future growth and expansion of the industry, (*b*) exercise general control over the working of the industry, (*c*) regulate cane supplied to factories, (*d*) fix minimum prices for cane, and (*e*) impose a cess on all cane purchased by factories, in their respective Provinces. These Acts forbid the construction of a new factory or additions or extensions to the plants of existing factories, except with a licence from the Provincial Government concerned. The Acts also require every factory to take out a crushing licence every season before starting crushing. They also empower the Provincial Governments to allot reserved and assigned areas to factories so as to eliminate cross haulage of cane and thus economise transport as well as stabilise the supply of cane in relation to the demand for it from the factories. The proceeds of the cane cess are to be utilised for promoting cane research and cane development. Under these Acts, the two Provincial Governments have also made membership of the Indian Sugar Syndicate a condition for the grant of a crushing licence to a factory, thereby

compelling all factories in those Provinces to be members of the Syndicate and market their sugar subject to the rules of the Syndicate.

(*b*) *The U. P. and Bihar Governments* vis-a-vis *the Indian Sugar Syndicate* :—In 1939-40, there was again over-production of sugar in India and a large surplus amounting to 4 lakh tons was carried over to the season 1940-41. The industry felt that in order to get rid of the surplus it was necessary (*a*) to reduce the price of sugar, and (*b*) curtail the production of sugar for at least two seasons. And the industry demanded that the minimum price of sugarcane should be substantially reduced in order to bring down the cost of production of sugar. To this, however, the U. P. and Bihar Governments did not agree. Thereupon, the Sugar Syndicate decided to close the factories from 10th April 1940. The Provincial Governments in their turn withdrew recognition from the Syndicate. Following upon this, a number of members gave notice of resignation from the Syndicate. The sugar market was also demoralised and market prices of sugar dropped below the limits fixed by the Syndicate. At this juncture, towards the end of July 1940, the Syndicate approached the U. P. and Bihar Governments for re-recognition. The two Provincial Governments, in order to avert the impending crisis in the industry, restored official recognition to the Syndicate, but subjected it to certain conditions. These conditions were (*a*) that the Syndicate should convert itself into a purely marketing organisation for the purpose of regulating sales of sugar by factories in the U. P. and Bihar, (*b*) that the limits of prices and selling quotas for factories should be fixed by the Governments, (*c*) that the Syndicate's Executive Officer should be nominated by the Governments, and (*d*) that the Head Office of the Syndicate should be shifted from Calcutta to Kanpur. The two Governments also announced their intention to restrict the production of sugar in the two Provinces in 1940-41 by allocating crushing quotas to factories. This timely action on the part of the U. P. and Bihar Governments had a healthy effect on the sugar market and led to an improvement in the demand for sugar and a rise in its price. From April 1942 to December 1947, however, sugar was controlled by the Government of India on an all-India basis and the Indian Sugar Syndicate functioned merely as an agency of the Central Government for the purpose of marketing sugar. The control over sugar was lifted with effect from 8th December 1947 and the Sugar Syndicate once again resumed its function as a central marketing organisation for the sugar industry. The price of sugar is now fixed by the Indian Sugar Syndicate on the basis of informal understanding with the U. P. and Bihar Governments as well as with the Government of India.

(*c*) *All-India Sugar Control*:—In April 1942, the Government of India instituted control over the marketing of sugar produced in India by an order under the Defence of India Rules. The object of this control was to ensure an equitable distribution of available supplies of sugar among the various heads of demand in the consuming areas and make the fullest use of the available transport facilities. The control fixed the ex-factory selling prices of all grades of sugar produced in the country. All movement of sugar from one Province to another was subject to permits issued by the Sugar Controller. The wholesale and retail prices of sugar were fixed by Provincial Controllers

after taking into account the ex-factory prices of the grades concerned, transport and other charges to the area, octroi and other taxes actually paid and the wholesalers' and retailers' incidental charges.

(*N.B.*—The facts mentioned in this paragraph are taken from (*i*) a publication entitled 'Efficiency of Production of Sugar in India' by Mr. R. C. Srivastava, late Director, Indian Institute of Sugar Technology and (*ii*) 'Restrictionism in India', an unpublished thesis by Dr. S. R. Sen, Deputy Economic and Statistical Adviser, Ministry of Agriculture, Government of India.)

(*d*) *Sugarcane Research and Development* :—A good deal of research and developmental work on sugarcane has been done in India during the last two decades. As a result of the cane-breeding experiments carried out at Coimbatore, several high-yielding varieties of cane have been evolved. These canes have been tested under varying conditions of soil, climate, manuring and irrigation at the experimental stations set up in different parts of the country and this has led to the selection of suitable varieties of cane for cultivation by the cane growers. In this way, the old and indigenous low-yielding varieties of cane have been replaced over the greater part of the country by high-yielding Coimbatore canes. The best known of these varieties are Cos. 210, 213, 214, 244, 281, 285, 290, 312, 313, 331, 419 and 421. The variety Cos. 213 had at one time dominated the entire sugarcane belt in Northern India, but later it was attacked by various diseases and pests due to faulty and indifferent cultivation. In this connection, experience has shown that even the best variety of cane begins to deteriorate if it is grown on the same land for successive years. Consequently, there is need for continuous efforts to breed new and improved types to replace the old ones. Research on sugarcane was formerly carried out under the auspices of the Imperial Council of Agricultural Research and financed by that Council out of the funds allocated by the Central Government. Cane development work was largely carried out by the Provincial Governments partly with the funds allocated by the Imperial Council and partly with their own funds raised by a levy on sugarcane. The Indian Central Sugarcane Committee, set up in 1944, is now responsible for all research work on sugarcane. The Committee, is also responsible for the supervision of the Indian Institute of Sugar Technology at Kanpur. This Institute was established in 1936. It has been carrying out researches on (*i*) problems of sugar technology, with special reference to the requirements of Indian factories, (*ii*) the utilisation of by-products of the sugar industry, (*iii*) detailed testing of new varieties of cane under factory conditions, and (*iv*) general problems of sugar engineering and sugar chemistry. It also provides facilities for the training of students in all branches of sugar technology and arranges for refresher courses for men already employed in the industry. It is also responsible for the collection, tabulation and analysis of the scientific control returns obtained from the factories and for making the results of such analysis available to factories in the form of technical and statistical reports. By analysing the production data obtained from the factories, the Institute renders technical assistance to Government in fixing the price of sugar from year to year. Research and developmental work has undoubtedly played an important part in the progress of the sugar industry in India. But there is still a very large scope for extensive and intensive work in this sphere, and Mr. N. L. Dutt, Government Sugarcane Expert, informed

us that, with necessary experiments and development in respect of new Coimbatore varieties of improved cane, the average yield per acre could be raised from 15 to 30 tons per acre. We recommend that the Central Government should continue to allocate adequate funds to the Indian Central Sugarcane Committee for carrying out its 5-years plan of research and development. We also recommend that the Provincial Governments should intensify their efforts to help the cane-growers in utilising the results of research and thereby improving the yield and quality of canes. The Indian Sugar Mills Association suggested that the industry should be actively associated with developmental work in the Provinces. We believe that the co-operation of industry in this work will be valuable and recommend that the representatives of sugar mills should be associated with sugarcane development work in the Provinces.

Demand for sugar.

7. The Panel on Sugar, Alcohol and Food Yeast Industries, in its report published in 1946, estimated that, in the prewar period, the average annual demand for sugar in India had been 10,80,000 tons. The Panel stated that, owing to the growth of population, increase in industrial and urban population and improvement in the purchasing power of certain sections of the people, the demand had increased by about 50 per cent. as compared with that in 1939. On this basis, the Panel assumed that the internal demand for sugar in 1950 would be 15,50,000 tons. The Panel also suggested that provision should be made for export of 50,000 tons of sugar to neighbouring countries. Accordingly, the Panel recommended that the production target for the period ending 1950 should be fixed at 16 lakh tons. The Sugar Controller, however, estimated that the demand in the country in 1950 would be 18 lakh tons. These estimates had been made before the partition of the country and, therefore, included the requirements of the areas now constituting Pakistan. The requirements of Pakistan have been estimated at 3 lakh tons and its production at 25/30, 000 tons of sugar. If this factor is allowed for, the above two estimates for demand would be reduced to 13 lakh tons and 15 lakh tons of sugar respectively. We believe that even these figures of 13 lakh tons and 15 lakh tons of sugar as the estimated Indian demand are on the high side and that they require revision. The estimated consumption of sugar in India in 1947-48 was only 9·5 lakh tons, and according to the estimates given by the representatives of the Central and Provincial Governments as well as the industry's representatives, the consumption is likely to be 10·5 or 11 lakh tons in 1948-49. Considering the present economic conditions in the country as well as the current high price of sugar, the annual demand for sugar in the country is not likely to exceed 12 lakh tons in the next two or three years.

Indigenous production.

8. The estimated production of sugar in the Indian Union in 1946-47 and 1947-48 was as follows :—

Year Nov. to Oct.	(Tons)			
	From cane	From gur	Khandsari	Total
1946-47	9,03,000	4,000	1,05,000	10,12,000
1947-48	10,77,000	4,000	98,000	11,79,000

There is at present a surplus of over 2 lakh tons of sugar in the country. We were informed at the public inquiry that the surplus was likely to increase to 3 lakh tons by the end of the current sugar season.

Plans for future expansion.

9. The Panel recommended that, in order to meet the expected increase in the demand for sugar in the country, the existing smaller units should be enlarged to a capacity of 800-tons and that, in addition, 20 new units should be established. The Sugar Controller, on the basis of his estimate that the demand would be of the order of 18 lakh tons, suggested the installation of 45 new units in the industry. We were informed that steps had already been taken to establish 5 or 6 new units in the Province of Madras. Owing to the high price of sugar and the prevalence of unfavourable economic conditions in the country, however, the consumption of sugar in the country has been more or less stationary in the recent past. And there is no reason to expect that the demand in the next three years will exceed 12 lakh tons a year. In the light of this estimate of demand, it may not be desirable to set up new sugar factories in the country for the next two or three years. Moreover, as India has to grow more food and as the current prices of foodgrains are high, it would be undesirable as well as difficult to extend sugarcane cultivation to new areas to meet the demand for cane from the proposed new factories. In consideration of these facts, we recommend that the Central Government, in consultation with the Provincial Governments, should review their plan for expansion of the sugar industry.

World production and consumption of sugar.

10. In the last two years, there has been a rapid recovery in the world production of sugar, as shown by the following figures :—

World production of sugar.

(Source.—F. A. O. Sugar Bulletin No. 1 of July 1948).

Millions of metric tons.

1934-38	28·3	(average per annum).
1945-46	22·6	
1946-47	26·9	
1947-48	28·9	

World consumption of sugar at the present time is estimated at 24·7 million tons as compared with 27·7 million tons in 1938. Already, therefore, there is a problem of surplus sugar in the world, which is likely to become more acute in the next three or four years, especially if there is rehabilitation of the sugar industry in the Phillippines, Java and Formosa. The present decrease in consumption of sugar in the world is, however, entirely due to the shortage of dollar exchange in several sugar-importing countries. But for this dollar shortage, the consumption of sugar in the world would have been larger than

in the pre-war period, because world population has increased in the last ten years and also because more people have become habituated to sugar consumption during the war-time. All the same, the fact has to be recognised that sugar consumption has decreased and the problem of a surplus has appeared in the sugar trade of the world.

Imports

11. From 1942-43 to 1946-47 there was no net import (*i.e.*, import minus re-export) of sugar into India. In 1947-48, 29,160 tons of Cuban sugar was imported. Of this, however, 14,471 tons were delivered to Pakistan. As regards the future import policy, the Ministry of Agriculture, in its note No. S. V. 502 (38)/48, dated 7th December 1948, informed us that the Government of India had decided not to allow any import of foreign sugar at present, as internal production was sufficient to meet the requirements of the country. Mr. N. T. Mone, Joint Secretary to the Ministry of Agriculture who represented the Government of India at the public inquiry explained, however, that though Government had decided not to allow any import of sugar for the present, their policy in this matter was subject to review from time to time and might be modified if the position of internal demand and supply changed or if the industry did not fall in line with Government's price policy. And he definitely stated that, in deciding the question of continuance of protection to the sugar industry, it would be unsafe to assume that the ban on import of sugar would continue for any length of time. We may also add that such a ban on import of sugar would militate against the provisions of the General Agreement on Tariffs and Trade, and cannot be continued except for balance of payments considerations.

Trend of import prices.

12. Since 1939, the largest increase in sugar production has taken place in Cuba, her production having increased from 3 million tons in 1937-38 to 6 million tons in 1947-48. This has resulted in an appreciable surplus there. It is, however, unlikely that imports of sugar from Cuba, which is in the Dollar area, will be permitted in the next 2 or 3 years. In the soft currency area, Brazil is the most important source from which considerable quantities of sugar might be imported. Brazil's exportable surplus is estimated to range from 1 to 2½ lakh tons per annum. We were informed that Pakistan had recently imported 20,000 tons of Brazilian sugar at about Rs. 17-0-0 per maund, *c.i.f.* Karachi. A leading importer of Bombay also informed us at the public inquiry that he had been offered 40,000 tons of Brazilian sugar for export to Pakistan at an approximate rate of Rs. 16-9-6 per maund, *c.i.f.* Karachi. The *c.i.f.* price of this sugar at an Indian Port will also be the same. Landing and clearing charges come to about Re. 0-3-3 per maund. Therefore, Rs. 16-12-9 per maund may be taken as the ex-duty landed cost of imported sugar with which the price of Indian sugar has to be compared at present, for determining the measure of protection, if any. It may, however, be mentioned that, according to the Bombay Sugar Merchants' Association, the *c.i.f.* price of imported sugar may go down by about 30% in the near future.

Sugarcane and sugar prices in India.

13. (*a*) ***Movement of prices*** :—The following tables indicate the movement of sugarcane and sugar prices during the last few years :

(*i*) *Sugarcane.*

Season	Price per maund of cane in U. P. & Bihar
	Rs. A. P.
1937-38	0 5 1
1938-39	0 6 10
1942-43	0 8 0 (upto 30-12-42)
	0 10 0 (thereafter)
1943-44	0 12 0
1944-45	0 14 0
1945-46	0 14 6
1946-47	1 4 0
1947-48 (from December 1947)	2 0 0
1948-49 (from December 1948)	1 10 0 (U. P.) 1 13 0 (Bihar)

(*ii*) *Sugar*

Year	Ex-factory price per maund of sugar
	Rs. A. P.
1937	7 4 0
1938	8 15 0
1939	11 8 0
1940	11 9 0
1941	11 9 0
1942	13 0 0
1943	14 8 0
1944	16 4 0
1945	16 4 0
1946 (After October)	20 14 0
1947 (from December)	35 7 0
1948 (from December)	28 8 0

(*b*) ***Fixation of prices***—(*i*) *Sugarcane* : Under the Sugarcane Act of 1934, the minimum prices for sugarcane are fixed by Provincial Governments. These prices were at first fixed in relation to the price of sugar. Since 1942, when sugar control was imposed on an all-India basis, the price of sugarcane has been fixed primarily in relation to the prices of alternative crops. With the continuous rise in the price of foodgrains since the last quarter of 1943, the price of sugarcane also has been raised from year to year. With the decontrol of foodgrains in December 1947, their prices rose appreciably. Consequently, the price of sugarcane also had to be raised from Rs. 1-4-0 to Rs. 2-0-0 per maund, *i.e.*, by 60 per cent. In November 1948, Government decided to re-impose food control as a disinflationary measure. And, though sugar was not brought under control, it was felt that the price of sugar should be reduced and that, for this purpose, price of sugarcane also should be brought down. After a series of conferences between the U. P. and Bihar Governments on one hand and the Central Government on the other, the price of sugarcane in respect of the 1948-49 season was fixed at Rs. 1-10-0 per maund for the U. P. and Rs. 1-13-0 per maund for Bihar, thereby reducing the price for U. P. sugarcane by about 19 per cent. and that for Bihar sugarcane by about 9 per cent.

(*ii*) *Sugar* : (*a*) From the statement of sugar prices given above, it will be seen that from 1939 to 1946 the price was raised gradually. In December 1947, however, when sugar control was lifted, the price was raised by as much as 70 per cent. from Rs. 20-14-0 to Rs. 35-7-0 per maund. This new price of Rs. 35-7-0 was made up as follows :—

Sugar price as accepted by the Sugar Commission with cane price at Rs. 1-4-0 per maund.

U. P.

Season—90 days (1947-48)
Recovery—10 per cent.

	Rs.	A.	P
(1) Cost of cane at Rs. 1-4-0 per maund	12	8	0
(2) Cess at Re. 0-1-0 per maund	0	10	0
(3) Transport of cane	0	2	0
(4) Co-operative Society's commission	0	2	3
(5) Basic manufacturing expenditure	2	13	3
(6) Additional manufacturing expenditure	3	6	0
(7) Excise duty	2	3	3
(8) Extra cost of insurance	0	1	8
(9) Profit at 10 per cent. on block capital	1	4	3
(10) Special allowance for reserve	0	4	0
	23	6	8
(11) Deduct return from molasses	0	1	6
	23	4	9

(b) This was the price originally accepted by the Sugar Commission in respect of the U. P. Subsequently, in December 1947 when sugar was decontrolled, the price of cane was increased from Rs. 1-4-0 per maund to Rs. 2-0-0 per maund, *i.e.* by Rs. 7-8-0 per 10 maunds of cane required to produce one maund of sugar. An extra amount of Re. 0-3-0 per maund was allowed on account of the award dated 26th June 1947 and another amount of Re. 0-8-0 was allowed to cover the increase in wages on the basis of the Nimbkar Committee's findings. These 3 items meant an increase in the price by Rs. 8-3-0 per maund. But, over and above these items, the industry claimed and obtained an additional profit margin of Rs. 2-0-0 per maund and an extra manufacturing charge of Re. 0-5-4 per maund. At the same time, the sugarcane cess in U. P. was raised from Re. 0-1-0 to Re. 0-3-0 per maund, thereby raising the cost of sugar by Rs. 1-4-0 (because ten maunds of cane are required for one maund of sugar). On account of these adjustments, the price for sugar, as finally fixed, was made up as follows :—

For U. P.

	Rs.	A.	P.
(a) Sugar price as accepted by the Sugar Commission, on the basis of R. C. Srivastava scale, with cane price at Rs. 1-4-0 per maund	23	4	9
(b) Compensation for the award dated 26-6-47	0	3	0
(c) Increase on account of the Nimbkar Committee's findings	0	8	0
(d) Increased price for 10 maunds of cane at Re. 0-12-0 per maund	7	8	0
(e) Additional profit in excess of 10 per cent on block	2	0	0
(f) Difference between R. C. Srivastava scale and the Syndicate's scale of manufacturing charges	0	5	4
(g) Additional cess at Rs. 0-2-0 per md.	1	4	0
Fair ex-factory price	35	1	1
For Bihar, an additional amount of Rs. 2-10-0 was allowed for higher price of cane. But, the incidence of the cess was Re. 0-1-0 per maund of cane as against Re. 0-3-0 in U. P. and for this Rs. 1-4-0 was deducted.			
Net increase in price for Bihar	1	6	0
Total ..	36	7	1

The price adopted for the U. P. and Bihar was Rs. 35-7-0.

(c) From the figures given above, it will be seen that, in fixing the price for sugar for 1947-48, two new items, namely (e) extra profit margin and (f) extra manufacturing charges, totalling Rs. 2-5-4 were allowed. We examined the available cost data furnished by the representatives of the U. P. Government and found that there was no justification for allowing these two items in fixing the fair ex-factory price for sugar for the season 1947-48.

(*d*) Early in the season 1948-49, the Government of India and the U. P. Government felt the need for bringing down the price of sugar, and after a series of conferences between the Central Government on the one hand and the U. P. and Bihar Governments on the other, the price of sugar, D.24, was reduced from Rs. 35-7-0 to Rs. 28-8-0 per maund. The new price was made up as follows :—

	U. P.	Bihar
Season	105 days	85 days
Recovery	10·0 per cent	10·5 per cent
	Rs. A. P.	Rs. A. P.
Cane price per maund	1 10 0	1 13 0
	Rs. A. P.	Rs. A. P.
1. Price of cane	16 4 0	17 4 2
2. Cess -/3/-	1 14 0 0 2 0	1 3 1
3. Transport	0 5 3	0 5 3
4. Co-operative Society's commission	0 6 9	0 1 9
5. Basic manufacturing expenses	1 15 0	2 3 3
6. Extra interest on working capital	0 6 0	0 6 0
7. Additional manufacturing expenses	3 6 8	3 13 7
8. Excise duty	2 3 3	2 3 3
9. Extra insurance	0 1 3	0 1 3
10. Award dated 26-6-47	0 3 0	0 3 0
11. Profits	0 14 9	1 1 3
	27 15 11	28 13 9
12. Credit for molasses	0 1 6	0 1 4
	27 14 5	28 12 5
or, say	27 14 0	28 12 0
13. Certain disallowed items	0 6 0	0 6 0
Fair ex-factory price of sugar	27 8 0	28 6 0
Expected production in 1948-49	5·6 lakh tons	1·9 lakh tons

Pooled price for U. P. and Bihar $= \dfrac{\text{Rs. } 27\text{-}8\text{-}0 \times 5\cdot6 + \text{Rs. } 28\text{-}6\text{-}0 \times 1\cdot9}{7\cdot5}$

$=$ **Rs. 27·722** *or* **Rs. 27-11-7**

This would be the price per maund of sugar if the production of sugar in 1948-49 alone was considered. But the industry claimed that there should be a higher price for the stocks of sugar carried over from the previous season of higher costs. The stocks were estimated at 1·75 lakh tons, and it was decided that the price for these should be Rs. 32-0-0 per maund. On this basis, the pooled price for the new production and old stocks of sugar would be as follows :—

$$\text{Pooled price for new production and old stocks of sugar} = \frac{\text{Rs. } 27\cdot722 \times 7\cdot5 + \text{Rs. } 32 \times 1\cdot75}{9\cdot25}$$

= Rs. 28-8-6

or, say, Rs. 28-8-0 per maund.

This price was fixed for D. 24, which was regarded as fair average quality of sugar.

Scope for further price reduction.

14. (*a*) From the figures given in the previous paragraph, it will be found that the fair ex-factory price of sugar in the U. P. was reduced from Rs. 35-1-1 in 1947-48 to Rs. 27-8-0 in 1948-49. This meant a reduction of Rs. 7-9-1 per maund. Of this, an amount of Rs. 3-12-0 per maund of sugar was accounted for by the reduction in the price of cane from Rs. 2-0-0 to Rs. 1-10-0 per maund. The balance of Rs. 3-13-1 per maund was due to a reduction in manufacturing and other charges. From the evidence tendered to us, it appears that there is still scope for a further reduction in the price of sugar. Thus, for example, in 1947-48, when the price was fixed at Rs. 35-7-0 per maund, the crushing season taken for the price estimate was only 90 days for the U. P. Subsequently, it transpired that the crushing season actually extended over a period of 115 days, which means that the estimate of manufacturing charges for that season could have been reduced if a more careful estimate of the length of the crushing season had been made. In this connection, the representatives of consumers stated at the public inquiry that, in preparing estimates of manufacturing charges, greater weight was given to the cost data of inefficient firms than to those of efficient firms, with the result that the estimate of cost was unduly inflated. Adequate evidence was not, however, available to enable us to come to any definite conclusion on this point. We may, however, mention that, in a memorandum dated 13th August 1948 submitted by the Director of the Indian Institute of Sugar Technology, the fair ex-factory selling price for sugar in the U. P. has been estimated at Rs. 21-1-2 per maund, on the basis of sugarcane price at Rs. 1-4-0 per maund, a crushing season of 120 days and a recovery of 10 per cent. Leaving out Rs. 12-8-0 as the cost of 10 maunds of sugar, the manufacturing and other charges in this estimate come to Rs. 8-9-2 per maund. The corresponding amount provided for in the estimate finally accepted for sugar price in the U. P. for 1948-49 comes to Rs. 11-4-0. In the light of this estimate, it appears that it may be possible to reduce the manufacturing and other charges by at least Rs. 2-8-0 per maund. We recommend that the Governments of the U. P. and Bihar should take steps to have this matter examined at an early date and revise the estimate of manufacturing and other charges in the light of the findings of such examination. We also believe that the price of

sugarcane can be reduced to some extent. In this connection, we may mention that, while the price of sugarcane per maund for the season 1948-49 is Rs. 1-10-0 in the U. P. and Rs. 1-13-0 in Bihar, the price of plantation cane in Bombay in the same season is Re. 1-0-0 or Rs. 1-2-0 per maund. Even after making due allowance for the fact that plantation cultivation is more economical than cultivation in small holdings, the difference in the prices of cane in North India and in Bombay is significant, particularly because irrigation charges in Bombay are known to be higher than those in North India. This would suggest that the present price of cane in the U. P. and Bihar is on the high side and may bear a reduction. We recognise that it will not be feasible to make a drastic reduction in the price of sugarcane all at once. It should not, however, be difficult to reduce the price of cane by, say, 3 annas a year over the next two years, so as to bring down the price of cane from Rs. 1-10-0 to Rs. 1-4-0 per maund in the U. P. This will reduce the cost of sugar by Rs. 3-12-0 per maund. This reduction, together with a reduction in the manufacturing charges as indicated above, would bring down the price of sugar from the present level of Rs. 28-8-0 per maund to, say, about Rs. 22-4-0 per maund. The lowering of the price of sugar to this extent, at any rate, should stimulate the internal consumption of sugar and thereby help in solving the problem of surplus sugar. It would also reduce the margin of difference between the ex-factory price of Indian sugar and the landed cost of imported sugar ex-duty (*viz.* Rs. 16-12-9 per maund, *vide* paragraph 12) from Rs. 11-11-3 to Rs. 5-7-3 per maund.

(*b*) Until now, the price has been fixed either by Government or by the Sugar Syndicate, with the approval of Government for D. 24 sugar, which had formed the major portion of sugar production in the country. We were informed at the public inquiry that the position had changed and that the major portion of sugar now produced in the country was D. 27. We, therefore, suggest that in the future, the basic ex-factory price should be fixed in relation to D. 27 sugar. We were also informed by the representatives of sugar merchants that the price margins for sugar other than D. 24 had been recently increased by the Syndicate and that certain extras were charged by way of what is called freight advantage. It was, therefore, suggested that, by manipulating the price margins for different grades of sugar as well as the extras for freight advantage, the Sugar Syndicate was making unjustifiable profits at the cost of the consumers. The spokesmen of the sugar merchants also stated that the Syndicate sometimes created artificial scarcity in the market by reducing the quotas for despatches from the factories and that some of the factories charged higher prices by putting wrong grade numbers on the sugar bags. We did not have sufficient data on this matter to be able to come to a definite conclusion. We must, however, point out that the sugar Syndicate owes its quasi-monopolistic position to the legal recognition given to it by the U. P. and Bihar Governments. It is, therefore, the responsibility of those two Governments to ensure that the sugar prices charged by the Syndicate are not excessive. We recommend that the questions of price margins, extras for freight advantage as well as the method of allocation of quotas for despatches from the factories and the practice of marking the grades on the sugar bags, should be investigated by the U. P. and Bihar Sugar Commission at an early date.

15. Sugar is included in the list of industries mentioned in paragraph 7 of Resolution No. 1 (3)-44(13)/48 dated 6th April 1948, of the Ministry of Industry and Supply. Under the terms of that Resolution, the sugar industry is subject to planning and regulation by the Central Government in the national interest. Since the decontrol of sugar in December 1947, the position has been that while the minimum price for sugarcane is fixed by the Provincial Governments concerned, the price of sugar is informally fixed by the Central Government, after consultation with the U. P. and Bihar Governments as well as the Sugar Syndicate. As, however, several Provinces other than the U. P. and Bihar are interested in the cultivation of sugarcane and production of sugar and as all the Provinces are interested as consumers of sugar, we consider it necessary that the Central Government should take powers to ensure that the prices of sugar, as fixed by the Sugar Syndicate, are fair and reasonable. Moreover, as the price of sugar is determined to a large extent by the price of sugarcane, we recommend that sugarcane prices should be fixed by the different Provinces with the approval of the Government of India.

Need for regulation of sugar and sugarcane prices by the Central Government.

16. The import duty on sugar is governed by item 17 of the First Schedule of the Indian Customs Tariff. The relevant extract from the Customs Tariff is given below :—

Present import duty.

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of			Duration of protective rate of duty
				The United Kingdom	A British colony	Burma	
17	Sugar excluding confectionery.	Protective	The rate at which excise duty is for the time being leviable on sugar, other than Khandsari or palmyra sugar, produced in British India* plus Rs.6-12-0 per cwt. plus one-fifth of the total duty.	..	..	The rate at which excise duty is for the time being leviable on sugar, other than Khandsari or palmyra sugar, produced in British India.	March 31st, 1949.

* The rate of excise duty on the 1st January, 1949, and until further notice, on sugar, other than khandsari or palmyra sugar, produced in any factory in British India and either issued out of, or used within, such factory is Rs. 3 per cwt. The rate of excise duty on khandsari sugar produced in any factory in British India and issued out of such factory is eight annas per cwt.

The present duty is made up as follows :—

(*i*) Protective duty—Rs. 6-12-0 per cwt. or Rs. 4-15-4 per maund.

(*ii*) Countervailing import duty equal to the existing excise duty—Rs. 3-0-0 per cwt. or Rs. 2-3-3 per maund.

(*iii*) 1/5 of the total of (*i*) and (*ii*), which comes to Rs. 1-15-2 per cwt. or Rs. 1-6-11 per maund.

Total duty, *i.e.* (*i*) + (*ii*) + (*iii*)=Rs. 11-11-2 per cwt. or Rs. 8-9-6 per maund.

(NOTE.—If the proposal in the Budget for 1949-50 to raise the excise duty on sugar to Rs. 3-12-0 per cwt. is accepted by the Legislature, the excise duty per maund will be increased to Rs. 2-12-0, the surcharge to Rs. 2-1-7 per cwt. or Rs. 1-8-8 per maund, and the total duty to Rs. 12-9-7 per cwt. or Rs. 9-4-0 per maund.)

If we leave out the countervailing duty and the 20 per cent surcharge thereon' the net protective duty comes to :—

Duty at Rs. 6-12-0 per cwt. or Rs. 4-15-4 per maund

20 per cent surcharge thereon, *viz.* Rs. 1-6-0 per cwt. or Re. 0-15-10 per maund.

Net total protective duty Rs. 8-2-0 per cwt. or Rs. 5-15-2 per maund, or, say Rs. 6-0-0 per maund.

Industry's claim for continuance of protection.

17. The industry's claim for continuance of protection has been put forward in the memoranda furnished by the Provincial Governments concerned, the Indian Central Sugarcane Committee, and the Indian Institute of Sugar Technology as well as by the Indian Sugar Syndicate and the Indian Sugar Mills' Association. Thus, the Director of Industries, Government of West Bengal states that the general level of prices in India being higher than in most other countries, especially those countries from which sugar is usually imported, the cost of production incurred by the sugar industry is much higher than elsewhere and that, therefore, the existing scheme of protection should be continued until prices in India have appreciably come down. The Secretary to the Agricultural and Rural Development Department, Government of Bombay, in his letter dated 4th October 1948 states that the view of his Government is that the sugar industry will take at least ten years more to attain a high state of efficiency and that the existing scheme of protection should be continued for a period of five years. The Secretary to the Development and Employment Department, Government of Bihar, who is also the Secretary to the Sugar Control Board, Bihar in his letter dated 23rd August 1948 urges that the present duty should be maintained for two years more. The same view is also expressed by the Secretary to the Development Department, Government of Madras, in his letter dated 16th August 1948. The Deputy Secretary to the Revenue and Development Department, East Punjab Government, in his letter dated 21st August 1948, also expresses a similar view. The Secretary, Large-Scale Industry Government of Assam in his telegram dated 13th October 1948 states that the existing measure of protection should continue pending a detailed inquiry by the Tariff Board regarding long term measures. The

Cane Commissioner, Government of the U. P., in his letter dated 13th September 1948, states that even though there is no probability of imports of sugar from Cuba and Java at the present time, protection should be continued to ensure intensive and scientific cane development. The Chairman of the Sugar Commission U. P. and Bihar in his letter dated 3rd November 1948 states that the current price of foreign sugar being lower than that of Indian sugar, the present protection should be continued to avert a possible crisis in the sugar industry and also to ensure its further expansion as recommended by the Panel. The Secretary to the Indian Central Sugarcane Committee, in his letter dated 17th August 1948, states that the industry has not been able to reap the full benefit of protection owing to the advent of World War II, that Indian sugar cannot compete with foreign sugar until the yield of sugarcane has been raised and its cost considerably brought down by means of intensive research and development and that the research and development projects, which are now in progress, will receive a serious setback unless the industry is protected by existing tariffs at least up to 1955. The Director of the Indian Institute of Sugar Technology, in his letter dated 13th August 1948, states that the existing protection should be continued pending a detailed inquiry by the Tariff Board. The Indian Sugar Mills' Association in its letter dated 10th December 1948, states that, owing to the loss of the Pakistan market for Indian sugar resulting in a heavy carry-over of stocks and also due to the increased world production of sugar at much lower prices than those obtaining in this country, the sugar industry is faced with serious uncertainties and urges that the existing protection to the industry should remain undisturbed till the return of normal conditions. The Indian Sugar Syndicate, in its letter dated 15th October 1948, states that the production of sugar in the world is increasing, that the position regarding imports and their prices is extremely uncertain and that it is, therefore, desirable to leave the existing protection intact. And, while the Kanpur Sugar Merchants' Association urges that there is no further need of protection to the industry, the Bombay Sugar Merchants' Association agrees that the present protection should be continued for two years. Mr. Nand Lall Dutt, Government Sugarcane Expert, in a memorandum dated 3rd August 1948, states that, with the new Coimbatore varieties of improved cane, the average yield per acre can be raised from about 15 tons to 30 tons per acre, but that the necessary experiments and development on these new varieties will take at least ten years to complete. He, therefore, suggests that protection to the industry will be required for at least ten years more. At the public inquiry also the representatives of the Central and Provincial Governments as well as the spokesmen of the industry, pleaded forcefully for continuance of the present protection for some time longer, pending a detailed inquiry.

Board's views regarding continuance of protection.

18. As we have seen above in paragraphs 12 and 13, while the landed cost of imported sugar at the present time would be Rs. 16-12-9 per maund, the fair ex-factory selling price of sugar fixed for the current season is Rs. 28-8-0 per maund for D. 24. If, therefore, imports were permitted, the protective duty required would be Rs. 11-11-3 per maund. We could not, however, have any definite information as to how long the present ban on imports would be continued. In view of this uncertainty about Government's policy regarding imports of

sugar, we have considered the question of protection on the basis of probable landed cost of imported sugar and the present ex-factory price of Indian sugar. On this basis, it is clear that Indian sugar cannot face competition with imported sugar without the help of a protective duty. As mentioned above, while the duty indicated by the difference between the probable landed cost and the present ex-factory price of Indian sugar is Rs. 11-11-3 per maund, the existing protective duty comes to Rs. 8-9-6 per maund. The protective duty will be raised to Rs. 9-4-0 per maund if the proposal in the Budget for 1949-50 to raise the excise duty to Rs. 3-12-0 per cwt. or Rs. 2-12-0 per maund is accepted. Judging by the present landed cost of imports and the cost of production in India, we have no doubt that the protection to the industry has to be continued until the cost of production in this country has been substantially reduced. As regards the quantum of protection, the present difference between the landed cost of imports and the fair ex-factory price of Indian sugar indicates a higher amount of protective duty than the existing one. But as explained in paragraph 14 (*a*) we believe that the cost of production of sugar in India can be substantially reduced over the next two years. At the same time, it is possible that, due to the rapid recovery in the production of sugar in the world, the price of imported sugar may tend to decline over the next two or three years. Taking all these factors into consideration and also in view of the fact that the protection of the sugar industry means also the protection of sugarcane cultivation in which several Provincial Governments are vitally interested, we recommend that the existing protection be continued for a period of two years ending 31st March 1951. We also recommend that a detailed inquiry should be instituted at the beginning of 1950 in order to determine the quantum of protection that would be necessary after 31st March 1951.

Burden of protection.

19. Exclusive of the countervailing duty which is intended only to neutralise the excise duty and of the surcharge thereon, the net protective duty at the present time, as mentioned already, is Rs. 6-0-0 per maund. On the basis of a c.i.f. price of Rs. 16-9-3 per maund, this is equivalent to 36 per cent *ad valorem*. The present general rate of revenue duty is 30 per cent *ad valorem* and, in some cases, it is 3[illegible] per cent *ad valorem*. Moreover, as already stated in paragraph 4 (*a*), in the period immediately before the adoption of protection, the revenue duty on sugar ranged from 50 per cent to 190 per cent *ad valorem*. In the light of these facts, a protective duty of 36 per cent *ad valorem* cannot be regarded as imposing a special burden on the consumers.

Summary of conclusions and recommendations.

20. (*i*) The sugar industry had enjoyed the benefit of a high revenue duty for a period of about seven years from 1925. It has been so far protected for seventeen years since April 1932 (Paragraph 4).

(*ii*) The industry made rapid progress during the first five or six years of protection, but there has been practically no progress during the last seven or eight years. (Paragraph 5).

(*iii*) The efficiency of some of the factories in India, particularly in the

U.P. and Bihar, can be definitely increased by shifting them to more suitable localities and/or by making the additions and alterations to their plants. The U P. and Bihar Governments should institute an early inquiry into the conditions of the factories with special reference to their location and plants, and in the light of the findings of such inquiry, call upon sugar mill companies to shift their factories and/or balance their plants at an early date. (Paragraph 5).

(*iv*) Besides granting protection to the industry, Government has also actively helped it in several other directions, *e.g.*, promotion of research and development and control over expansion. The U.P. and Bihar Governments have given legal recognition to the Indian Sugar Syndicate, which is the central marketing organization for the sugar industry in those Provinces. Provincial Governments have also enforced minimum prices for cane to be supplied to the factories. And from 1942 to 1947, the industry was subject to the control of the Central Government in respect of price and distribution. (Paragraph 6).

(*v*) The Central Government should continue to allocate adequate funds to the Indian Central Sugarcane Committee for carrying out its five-year plan of research and development. The Provincial Governments should intensify their efforts to help the cane growers in utilising the result of research and thereby improving the yield and quality of canes. The representatives of sugar mills should be associated with sugar-cane development work in the Provinces. (Paragraph 6).

(*vi*) It is estimated that the annual demand for sugar in the country is not likely to exceed 12 lakh tons in the next two or three years. (Paragraph 7).

(*vii*) The production of sugar in the Indian Union was 10·12 lakh tons in 1946-47 and 11·79 lakh tons in 1947-48. There is at present a surplus of over 2 lakh tons of sugar, which is likely to increase to 3 lakh tons by the end of the current sugar season. (Paragraph 8).

(*viii*) The Central Government, in consultation with the Provincial Governments, should review their plan for expansion of the sugar industry. (Paragraph 9).

(*ix*) There has been a rapid recovery in the world production of sugar since 1945-46, and in 1947-48 the world production was 28·9 million metric tons as against the annual average of 28·3 million metric tons during the period 1934-38. Owing mainly to the shortage of dollar exchange in several sugar importing countries, there has been recently a decrease in the consumption of sugar and the present consumption is estimated at 24·7 million tons per annum as compared with 27·7 million tons in 1938. There is already a problem of surplus sugar in the world trade. (Paragraph 10).

(*x*) There is at present a ban on imports into India, but there is no certainty as to how long this ban will continue. (Paragraph 11).

(*xi*) The ex-duty landed cost of imported sugar is at present Rs. 16-12-9 per maund. The Bombay Sugar Merchants' Association considers it probable that this price may go down by about 30 per cent in the near future. (Paragraph 12).

(*xii*) The minimum price fixed for sugarcane was Rs. 2 per maund and for sugar Rs. 35-7-0 per maund from December 1947 to December 1948. For the current season, the price of sugarcane has been fixed at Rs. 1-10-0 per maund in the U.P. and Rs. 1-13-0 per maund in Bihar and the price of sugar, D. 24, at Rs. 28-8-0 per maund. (Paragraph 13).

(*xiii*) There is scope for a further reduction in the price of sugar. [Paragraph 14 (*a*)].

(*xiv*) It was suggested by the sugar merchants that the Indian Sugar Syndicate manipulated the price margins for different grades of sugar as well as the extras for freight advantage, that the Syndicate also sometimes created artificial scarcity by reducing the quotas for despatches from the factories and that some of the factories charged higher prices by putting wrong grade numbers on the sugar bags. The U.P. and Bihar Sugar Commission should investigate at an early date the questions of price margins, extras for freight disadvantage as well as the method of allocation of quotas for despatches and the practice of marking the grades on the sugar bags. [Paragraph 14 (*b*)].

(*xv*) The Central Government should take powers to ensure that the prices of sugar as fixed by the Sugar Syndicate, are fair and reasonable. Sugarcane prices should be fixed by the different Provinces with the approval of the Government of India. (Paragraph 15).

(*xvi*) The present import duty comes to Rs. 8-9-6 per maund, inclusive of the countervailing duty of Rs. 2-3-3 per maund, which is intended to neutralise the excise duty, and the surcharge thereon ; the net protective duty comes to Rs. 6-0-0 per maund of sugar. (Paragraph 16).

(*xvii*) The Central and Provincial Governments, the Indian Central Sugarcane Committee and the Indian Institute of Sugar Technology as well as the Indian Sugar Syndicate and the Indian Sugar Mills' Association asked for continuance of the present protection for a period of two years or more. The Bombay Sugar Merchants' Association also agreed that the present protection should be continued for two years. (Paragraph 17).

(*xviii*) The protection of the industry has to be continued until the cost of production in this country has been substantially reduced. The existing protection should be continued for a period of two years ending 31st March 1951. There should be a detailed inquiry at the beginning of 1950 in order to determine the quantum of protection, if any, that would be necessay after 31st March 1951. (Paragraph 18).

(*xix*) On the basis of the current c.i.f. price of imported sugar, the present protective duty is equivalent to 36 per cent *ad valorem* : the present general rate of revenue duty being 30 per cent *ad valorem* and in some cases 36 per cent *ad valorem*, a protective duty of 36 per cent on imported sugar cannot be regarded as imposing a special burden on the consumers. (Paragraph 19).

Acknowledgments.

21. We wish to express our thanks to the representatives of the Central and Provincial Governments, the Director of the Indian Institute of Sugar Technology, the Secretary to the Indian Central Sugarcane Committee as well as to the Indian

Sugar Mills' Association, the Indian Sugar Syndicate and the Sugar Merchants' Association for the valuable help they gave us in connection with the inquiry.

G. L. MEHTA, *President*.

H. L. DEY,

B. V. NARAYANASWAMY,

Members.

R. DORAISWAMY, *Secretary*.

BOMBAY,

9th March, 1949.

APPENDIX I.

(*vide* paragraph 1).

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

New Delhi, the 10th April 1948.

RESOLUTION—TARIFFS.

No. 134-T(19)/47.—In pursuance of paragraph 2 of their Resolution in the Department of Commerce No. 28-T(6)/46, dated the 20th January 1947, the Government of India have decided to refer to the Tariff Board for investigation the cases of the following industries which were established before the war and were granted tariff protection on the basis of recommendations made by previous Tariff Boards :—

(*i*) Magnesium Chloride ;

(*ii*) Sericulture ;

(*iii*) Artificial silk and cotton and artificial silk mixed fabrics ;

(*iv*) Silver thread and wire (including so called gold thread and wire mainly made of silver) and silver leaf including also imitation gold and silver thread and wire, lametta and metallic spangles and articles of a like nature, of whatever metal made, and fabrics containing gold or silver thread ; and

(*v*) Sugar.

The protection in these cases which was extended from time to time has been continued for a further period of one year from the 1st April 1948 by the Protective Duties Continuation Act, 1948.

2. The Tariff Board is accordingly requested to examine in detail the question of protection enjoyed by the above mentioned industries and to report to the Government of India what protective measures, if any, should be continued after the 31st March 1949.

3. Firms and persons interested in any of these industries or in industries dependent on the use of these articles, who desire that their views should be considered by the Tariff Board, should address their representations direct to the Secretary to the Board, Contractor Building, Nicol Road, Ballard Estate, Bombay.

(Sd.) S. RANGANATHAN,

Joint Secretary to the Government of India.

APPENDIX II

(vide paragraph 2)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

New Delhi, the 4th November, 1948.

RESOLUTION—TARIFFS.

No. 218-T(68)/47.—The Government of India have been considering whether, in the light of Ministry of Industry and Supply Resolution No. 1(3)-44 (13)/48, dated the 6th April, 1948 and the various representations that have been received, it is desirable to make any further announcement in regard to their tariff policy at this stage in continuation of the Department of Commerce Resolution No. 218-T(55)/45 dated the 3rd November 1945. They have come to the conclusion that the conditions in the country are by no means such as would enable any long term policy being now enunciated. Nevertheless, in view of the importance which the industries named in paragraph 7 of the Ministry of Industry and Supply Resolution referred to above have in the national economy, they feel that even an indication of their short term policy with reference to these industries which might involve a large initial capital outlay would on the whole be beneficial. Pending the formulation of a tariff policy appropriate to the long term needs of the country and the establishment of a permanent machinery for the purpose, Government have decided that the industries named in paragraph 7 of the Industry and Supply Ministry's Resolution referred to above should be dealt with on the same basis as industries which have been started or developed in war time, covered by the late Department of Commerce Resolution No. 218-T(55)/45, dated the 3rd November, 1945. They will accordingly have any reasonable claims, from these industries, to assistance or protection investigated by the Tariff Board. In such cases, the Board will be asked to report after such examination as it considers necessary, whether the industry satisfies the following conditions :—

(1) that it is established and conducted on sound business lines ; and

(2) (*a*) that having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance; or

(*b*) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive ;

(3) where a claim to protection or assistance is found to be established *i.e.*, if condition (1) and condition (2) (*a*) or (*b*) are satisfied, the Board will recommend :

(*i*) whether, at what rate and in respect of what articles or class or description of articles, a protective duty should be imposed ;

(*ii*) what additional or alternative measures should be taken to protect or assist the industry ; and

(*iii*) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

In making its recommendations the Board will give due weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection is to be granted.

(Sd.) S. RANGANATHAN,

Joint Secretary to the Government of India.

APPENDIX III

(*Vide* paragraph 2).

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

New Delhi, the 6th August, 1948.

RESOLUTION—TARIFFS.

No. 30-T (1)/48.—In their Resolution No. 218-T(55)/45, dated the 3rd November 1945, as partially modified by Resolution No. 28-T(37)/47, dated the 26th November 1947, the Government of India constituted a Tariff Board for the discharge of the duties specified in the Resolution cited above. It has now been decided that the Board shall be entrusted with the following functions in addition to those enumerated in paragraph 5 of the Department of Commerce Resolution No. 218-T(55)/45, dated the 3rd November 1945, and paragraph 2 of the Ministry of Commerce Resolution No. 28-T-(37)/47, dated the 26th November 1947 :—

(1) to enquire, as and when required by Government, into the cost of production of a commodity produced in the country and to determine its wholesale, retail or other prices, and to report on the same ;

(2) to recommend to Government, as and when required, measures necessary for the protection of India's industries from dumping from abroad ;

(3) to undertake studies, as and when necessary, on the effects of *ad valorem* and specific duties and tariff valuations on various articles and the effects on tariff concessions granted to other countries ; and

(4) to report to Government, as and when necessary, on combinations, trusts, monopolies and other restraints on trade, which may tend to affect the industries enjoying protection by restricting production, or maintaining or raising prices and to suggest ways and means of preventing such practices.

2. The Tariff Board is also hereby authorised to maintain a continuous watch over the progress of protected industries by conducting enquiries, as and when necessary, on the effect of the protective duties or other means of assistance granted, and advise Government regarding the necessity or otherwise of modifying the protection or assistance granted. The Board should also keep a careful watch to ensure that conditions attached to the grant of protection were fully implemented and that the protected industries were being run efficiently.

3. In discharging the functions enumerated in paragraph 2 of this Resolution, the Board should in the case of all industries where he is concerned, seek the assistance and advice of the Director General, Industry and Supply as an organisation, which will supply the Board with the technical assistance required in keeping the necessary watch over the growth of protected industries.

(Sd.)—S. RANGANATHAN,

Joint Secretary to the Government of India.

APPENDIX IV

(*Vide* paragraph 3).

Special questionnaire issued by the Board in July 1948.

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

No. TB/E/44.

INDIAN TARIFF BOARD,

Contractor Bldg., Nicol Road, Ballard Estate, Bombay-1.

Dated *July, 1948.*

To

DEAR SIR(s),

The Government of India in their Resolution No. 134-T(19)/47 dated 10th April 1948 had requested the Tariff Board to examine in detail the question of protection enjoyed by the Sugar Industry and to report to the Government of India what protective measures, if any, should be continued after 31st March, 1949.

The Board would like to have your views on the question of continuation of protection; and you are requested to submit to the Board, in twelve copies, a memorandum of the following points :—

(1) Whether the existing measure of protection to the Sugar Industry should be continued, withdrawn or kept in abeyance in view of the absence of the risk of imports of sugar from Cuba and Java for the next few years.

(2) If it is considered that protection should be continued, whether it should be continued at the existing level or it should be modified and what the modification should be; and particularly whether reductions in the existing tariff rate could be made without detriment to the home industry.

(3) In the event of any alteration in the protective duty, what alteration, if any, should be made in the excise duty on sugar.

(4) What action should be taken as regards detailed examination of the position of the industry from the point of view of necessity or otherwise of protection as a long term measure.

(5) Any other point arising out of the reference which you may wish to bring up for consideration of the Board.

Your reply may be sent to the undersigned so as to reach him not later than 7th August 1948.

Yours faithfully,

(Sd.)—M. AHMADULLAH,

Secretary, Indian Tariff Board.

APPENDIX V

(*Vide* paragraph 3).

List of persons to whom questionnaire was sent and who submitted replies or Memoranda.

(*) Those who replied or submitted memorandum.

(†) Have no comments to offer as there is no Sugar Industry in the Province.

PRODUCERS :

*1. Indian Sugar Mills ' Association, 23 B, Netaji Subhas Road, CALCUTTA.

2. The Indian Sugar Producers' Association, KANPUR.

*3. The Indian Sugar Syndicate Limited, 7/33, Tilak Nagar, KANPUR.

*4. The South Indian Sugar Mills' Association, No. 1, North Beach Road, P. B. No. 12, MADRAS.

*5. Bengal Sugar Mills ' Association, 8 Dalhousie Square, CALCUTTA.

MERCHANTS AND IMPORTERS :

*1. The Bombay Sugar Merchants' Association Ltd., 104-114, Frere Road BOMBAY.

*2. The Cawnpore Sugar Merchants' Association, 51/57, Collectorganj, Near Shakkar Patti, KANPUR.

OFFICIALS :

1. Secretary, Sugar Control Board, U.P., LUCKNOW.

*2. Secretary, Sugar Control Board, BIHAR, PATNA.

*3. Chairman, Sugar Commission, U.P. & BIHAR, KANPUR.

*4. Cane Commissioner, U.P., LUCKNOW.

*5. Cane Commissioner, BIHAR, PATNA.

*6. Sir Datar Singh, Kt., Vice Chairman, Indian Council of Agricultural Research NEW DELHI.

*7. N. L. Dutt, Esq. M. Sc., Government Sugar Cane Expert, Sugarcane Breeding Station, Lawley Road, P.O. COIMBATORE.

*8. Indian Central Sugar Cane Committee, 3, Pusa Road, NEW DELHI.

*9. Director of Indian Institute of Sugar Technology, Nawabganj, KANPUR.

*10. Government of BOMBAY.

*11. Government of West Bengal, CALCUTTA.

*12. Government of East Punjab, SIMLA.

*13. Government of Bihar, PATNA.

†14. Government of C.P. & Berar, NAGPUR.

*15. Government of MADRAS.

*16. Government of Assam, SHILLONG.

17. Government of Orissa, CUTTACK.

18. Government of U.P., LUCKNOW.

OTHERS :

1. Lala Harshai Gupta, P.O. Bilari (U.P.).

*2. R.B. Sir T. S. Ventakaraman, Kt., C.I.E.., D.Sc., 56, Thyagaraja Road, Thayagarayanagar, MADRAS.

*3. Prof. M. P. Gandhi, C/o Gandhi & Co. (Publishers) Jan Mansion, Sir Pherozshah Mehta Road, Fort, BOMBAY.

APPENDIX VI

(*Vide* paragraph 3).

List of persons who attended the conference on the Sugar Industry on 22nd & 23rd December, 1948.

I. PRODUCERS :		
1. Mr. J. S. Mehta (Secretary)	Representing	Indian Sugar Mills Association 23 B, Netaji Subhas Road, Calcutta 1.
2. Mr. Lalchand Hirachand	„	(*a*) Indian Sugar Mills' Association, Calcutta. (*b*) The Deccan, Sugar Factories' Association, Industrial Assurance Bldg., Opp. Churchgate Stn., Fort, Bombay.
3. Mr. Ramakrishna, C.I.E., I.C.S. 4. Mr. P. Hadfield	„	The South Indian Sugar Mills' Association, No. 1, North Beach Road, Madras.
5. Mr. Rameshwar Prasad Nevatia.	„	(*a*) The Indian Sugar Syndicate Ltd., 7/33, Tilak Nagar, Kanpur. (*b*) Indian Sugar Mills' Association.
II. MERCHANTS & IMPORTERS :		
1. Mr. Maneeklal Ujamshi	„	President, the Bombay Sugar Merchants' Association Ltd., 104-114, Frere Road, Bombay.
2. Mr. Dayaramji 3. Mr. Durga Dutta Kanodia	„	The Kanpur Sugar Merchants Association, 51/57, Collectorganj Near Shakkar Patti, Kanpur.
III. CONSUMERS :		
1. Mr. M. K. Gupta 2. Mr. K. V. Venkataraman	„	Kanpur Consumers' Association, Kanpur.
IV. OFFICIALS :		
1. Mr. N. T. Mone, I.C.S, Joint Secy. to the Govt. of India, Ministry of Agriculture. 2. Mr. I. P. Mathur, Asst. Director, (Sugar) Ministry of Agriculture.	„	(*a*) Govt. of India, Ministry of Agriculture, New Delhi. (*b*) Indian Central Sugarcane Committee, 3, Pusa Road, New Delhi.
3. Mr. K. N. Singh Sugar Commissioner, Bihar.	„	(*a*) Sugar Commission, U. P. & Bihar, Kanpur. (*b*) Govt. of Bihar. (*c*) Govt. of U.P.
4. Mr. K. B. Bhatia, I.C.S, Development Commissioner, U.P. 5. Mr. A. D. Pant, I.A.S, Cane Development Commissioner, U.P.	„	Govt. of U.P., Rural Development (Cane) Department, Lucknow.
6. Mr. R. D. Bose (Secy), & Sir Shankarlal, Managing Director, Delhi Cloth Mills.	„	Indian Central Sugarcane Committee, 3, Pusa Road, New Delhi.

7. Mr. S. K. Chatterjee, I C S, Secy., Commerce & Industries Dept., Govt. of West Bengal. 8. Mr. M. Gupta, Deputy Director of Industries, W. Bengal.	Representing	Govt. of W. Bengal, Deptt. of Commerce & Industries, Calcutta.
9. Mr. Thakur Phoolsing, MCA, Inspection House, Okhla, Delhi.	„	Indian Central Sugarcane Committee (Cultivators).
10. Dr. R. D. Rege, Dy. Director of Agriculture (Research) Bombay Province, Poona.	„	Govt. of Bombay, Agriculture & Rural Development Department.
11. Mr. B. T. Kempanna, Chairman, Mysore Sugar Co. Ltd., Bangalore.	„	Govt. of His Highness The Maharaja of Mysore.
12. Mr. S. C. Roy	„	Director, Indian Institute of Sugar Technology, Nawabgunj, Kanpur.

सत्यमेव जयते

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